



State Health Benefit Plan Financial Status



Presentation to: The Board of the Department of Community Health
Presented by: Vince Harris, Chief Financial Officer

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Projected Revenue*

FY 2011

\$409.6 million or 16.6% growth in employee and employer revenues collected in FY 2011 as compared to FY 2010

- **22.5% increase** in current year employer revenue considering:
 - FY 2010 included three months of reduced state and teacher contributions
 - For liquidation of long-term investments
 - FY 2011 front-loads state and teacher percent of payroll for annualized rates of 25.100% and 18.534%
 - FY 2011 increased Non-Certificated Per Member Per Month employer rates from \$162.72 to \$218.20 (December 2010) and from \$218.20 to \$246.20 (May 2011)
- **0.8% increase** in member premium revenue:
 - Reflects premium increase and surcharge increases in CY 2011
 - Offset by employee migration to lower premium plan options
 - Reflects revenue from employee migration to dependent tiers due to expanded dependent coverage
 - Federal Health Care Reform requires coverage of dependents aged 19 through 25

* Based on DCH projections - May 2011

Projected Revenue*

FY 2012

(\$219.5) million or 7.6% decrease in employee and employer revenues collected in FY 2012 as compared to FY 2011

- **11.2% decrease** in employer revenue:
 - One month impact of 1.429% teacher employer rate
 - Lower payroll due to retirements, position vacancies, and furloughs
- **4.1% increase** in member premium revenue:
 - Reflects premium increase and surcharge increases in Plan Year 2011
 - Assumes 10% employee premium increase in Plan Year 2012
 - Reflects revenue from employee migration to dependent tiers due to expanded dependent coverage
 - Federal Health Care Reform requires coverage of dependents aged 19 through 25

* Based on DCH projections - May 2011



Projected Expense

FY 2011 – (\$150.8) million or -5.2% growth

FY 2012 – \$135.5 million or 4.9% growth

Assumptions for FY 2011 and FY 2012

- Negative growth for active state employees, teachers, and school employees
- Positive growth for Early Retirees and Medicare Retirees in all groups
- Federal health care reform impact
 - Early Retiree Reinsurance Program (expense offset)
 - 100% preventive care coverage (cost)
 - Expanded dependent care coverage (cost)

* Based on DCH projections - May 2011

FY 2011-12 Revenue/Expense Statement

(in millions)	FY 2011	FY 2012	% change
Employer Contributions	\$2,203.9	\$1,956.8	-11.2%
Employee Premiums	673.7	701.3	4.1%
Total Current Year Revenue	\$2,877.6	\$2,658.1	-7.6%
Expense	\$2,847.9	\$2,957.4	3.8%
Early Retiree Reinsurance Program	(93.0)	(67.0)	-28%
Total Expense	\$2,754.9	\$2,890.4	4.9%
Surplus/(Deficit)	\$122.7	(\$109.6)	

* Based on DCH projections - May 2011

Next Steps

- Update projection with survey results from Boards of Education
- Develop Calendar Year 2012 plan changes and budget strategies to address remaining projected deficit
- Submit budget proposal to the board in August with:
 - Updated financial status report
 - Proposed plan changes
- Today's resolution for the board's consideration would approve employer contribution rates for FY 2012 based on the FY 2012 Appropriations Act

Presentation on DCH Website

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